

April 17, 2007

MEETING MINUTES

The Health Benefits Committee met on Tuesday, April 17, 2007, in the Lincoln Plaza North Building, 400 Q Street, Sacramento, California.

The meeting was called to order at 11:15 a.m. with the following members present:

George Diehr, Chair
Priya Mathur, Vice Chair (Excused)
Marjorie Berte
Cindy Aronberg representing John Chiang
Rob Feckner
Greg Beatty representing David Gilb
Steve Coony representing Bill Lockyer
Tony Oliveira
Charles Valdes

Other Board members present:

Michael Quevedo Kurato Shimada Maeley Tom

AGENDA ITEM 2 – APPROVAL OF THE MARCH 13, 2007, HEALTH BENEFITS COMMITTEE MEETING MINUTES

The March 13, 2007, Health Benefits Committee meeting minutes were approved as presented.

AGENDA ITEM 3 – LEGISLATION

Wendy Notsinneh, Chief, Office of Governmental Affairs, presented information on the legislative items listed below.

3A. SB 235 (Negrete McLeod) – Vision Coverage for CSU Annuitants – This bill would allow annuitants of the California State University (CSU) system to participate in the Vision Care Program for State Annuitants. CSU provides benefits for active CSU employees through a contract with Vision Services Plan (VSP). CSU does not offer a separate vision care plan for CSU annuitants, nor is an annuitant of the CSU system eligible to participate in the state's existing vision program.

On **MOTION** by Cindy Aronberg, **SECONDED** and **CARRIED**, the Committee recommended the Board approve the staff recommendation that the Board adopt a support position on SB 235.

3B. SB 580 (Wiggins) – Out-of-State Health Coverage – This bill would increase the authority of the CalPERS Board to contract with additional entities in other states to provide health care coverage for members. This bill would allow CalPERS to enter into a contract with another public employee pension and health system, as opposed to a "carrier", as an alternative to provide health care benefits to employees and annuitants who reside outside California.

On **MOTION** by Marjorie Berte, **SECONDED** and **CARRIED**, the Committee recommended the Board approve the staff recommendation that the Board adopt a neutral position on SB 580.

Charles Valdes voted NO.

The following people spoke on this item:

Barbara LaPlante, President, California State Employees' Association – Retirees Harvey Robinson, Retired Public Employees' Association

AGENDA ITEM 4 – 2007-08 PROPOSED HEALTH POLICY PRIORITIES FOR LEGISLATION PURSUANT TO STRATEGIC PLAN

Wendy Notsinneh, Chief, Office of Governmental Affairs, presented the revised health policy priorities recommended by staff for the 2007-08 legislative session. The adoption of these legislative priorities will provide direction to the Office of Governmental Affairs in identifying and focusing its effort on those issues that most impact the strategic direction of the CalPERS health program.

On **MOTION** by Marjorie Berte, **SECONDED** and **CARRIED**, the Committee recommended the Board approve staff's recommendation to adopt the revised 2007-08 Health Policy Priorities for legislation pursuant to the strategic plan.

Charles Valdes voted NO.

AGENDA ITEM 5 – 2008 BASIC PLAN BENEFIT DESIGN PROPOSAL

On **MOTION** by Rob Feckner, **SECONDED** and **CARRIED**, the Committee voted to defer action on items 5, 6, 7, and 8 until the May 15, 2007 meeting.

Marjorie Berte ABSTAINED.

Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, presented staffs' proposed benefit design changes for the Basic Plans to be effective January 1, 2008. The proposed changes are:

- A. For Blue Shield of California (Blue Shield), Kaiser and Western Health Advantage (WHA) **basic plans**:
 - Increase office visit co-payments from \$10 to \$15 and waive co-payments for preventive care (periodic health exams, obstetrics, well baby visits, allergy testing and treatment, immunizations, hearing evaluations, and pre/post-natal care);
 - 2. Increase emergency room co-payments from \$50 to \$75 (waived if admitted as an inpatient or for observation as an outpatient), while standardizing the urgent care co-payment to \$15 (currently: \$25 for Blue Shield, \$10 for Kaiser, and \$20 for WHA);
 - 3. Change pharmacy co-payments from \$5/15/45 to \$5/20/45 for a 30-day supply at retail and from \$10/25/75 to \$10/40/90 for a 90-day supply at mail order (Kaiser from \$5/15 to \$5/20 for up to a 100-day supply); and,
 - 4. Standardize out-of-pocket maximums to \$1,500 for individuals and \$3,000 for families, excluding pharmacy.

B. For PERS Choice basic plan:

- 1. Increase emergency room co-payments from \$50 to \$75 (waived if admitted as an inpatient or for observation as an outpatient), while maintaining a \$20 urgent care co-payment; and,
- 2. Change pharmacy co-payments from \$5/15/45 to \$5/20/45 for a 30-day supply at retail and from \$10/25/75 to \$10/40/90 for a 90-day supply at mail order.

The following people spoke on this item:

Mitchell Semer, Executive Officer, Association of California State Supervisors Harvey Robinson, Retired Public Employees' Association
Jim Hard, Service Employees' International Union, Local 1000
Lou Ohls, Retired Members, California Correctional Peace Officers' Association Terry Brennand, Service Employees' International Union, State Council J.J. Jelincic, President, California State Employees' Association

AGENDA ITEM 6 – BLUE SHIELD OF CALIFORNIA'S EXCLUSIVE PROVIDER ORGANIZATION AND DIRECT CONTRACT COUNTIES

Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, introduced Paul Markovich with Blue Shield of California. Mr. Markovich presented Blue Shield of California's proposal to discontinue its HMO product in four counties: El Dorado (the Exclusive Provider Organization (EPO) portion of the county), Lake, Napa and Plumas.

The following people spoke on this item:

Carl Hagen, Vice Mayor, City of Placerville Harvey Robinson, Retired Public Employees' Association Terry Brennand, Service Employees' International Union, State Council J.J. Jelincic, President, California State Employees' Association

AGENDA ITEM 7 – BLUE SHIELD OF CALIFORNIA'S HMO HIGH PERFORMANCE NETWORK OPTION FOR 2008

Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, introduced Paul Markovich, Blue Shield of California. Mr. Markovich presented Blue Shield of California's proposal to offer a High Performance Physician Network option in 17 counties effective January 1, 2008 to operate side-by-side the current network offering.

Terry Brennand, Service Employees' International Union, State Council, spoke on this item.

AGENDA ITEM 8 – BLUE CROSS OF CALIFORNIA'S HMO HIGH PERFORMANCE NETWORK OPTION FOR 2008

Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, introduced Steve Scott with Blue Cross of California. Mr. Scott presented Blue Cross of California's proposal to offer a High Performance Network for 2008. Blue Cross' proposal would be contingent upon approval of 2008 PPO rates and award of Third Party Administrator Contract.

Terry Brennand, Service Employees' International Union, State Council, spoke on this item.

AGENDA ITEM 9 – UPDATE: RECOMMENDATION FOR APPROVAL OF AWARD OF CONTRACT, RFP. NO 2006-3937, THIRD PARTY MEDICAL ADMINISTRATOR CONTRACT FOR SELF-FUNDED PLANS TO BLUE CROSS OF CALIFORNIA

Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, informed the Committee that staff is continuing in its contract negotiations with Blue Cross of California and requested the Committee's approval to move forward with this process.

No action was taken on this item.

Cindy Aronberg, representing the Controller, recused herself from this item.

AGENDA ITEM 10 – HEALTHCARE INVESTMENT INITIATIVE – CONFLICTS POLICY

Peter Mixon, General Council, gave an overview of the Healthcare Investment Initiative Inter-Program Conflict of Interest Protocol. The objective of the Protocol is to set forth an overall approach to the appropriate identification and management of inter-program conflicts. Specifically, the Protocol is designed to: (1) assure the appropriate identification of actual, potential, or perceived inter-program conflicts of interest; (2) establish a process for evaluating these conflicts to ensure that each decision is made in the best interest of the respective plan's participants; and (3) identify the decision makers.

On **MOTION** by Marjorie Berte, **SECONDED** and **CARRIED**, the Committee recommended the Board approve staff's recommendation to approve the Inter-Program

Conflict of Interest Protocol for the CalPERS Healthcare Investment Initiative for the Health Benefits Program.

AGENDA ITEM 11 – ASSISTANT EXECUTIVE OFFICER REPORT

Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, had no items to report.

AGENDA ITEM 12 – PROPOSED AGENDA FOR MAY 15, 2007, HEALTH BENEFITS COMMITTEE MEETING

The proposed agenda for the May 15, 2007, Health Benefits Committee was accepted with the addition of the following action items:

- 2008 Basic Plan Benefit Design Proposal
- Blue Shield of California's Exclusive Provider Organization and Direct Contract Counties
- Blue Shield of California's HMO High Performance Physician Network for 2008
- Blue Cross of California's High Performance Physician Network for 2008

Barbara LaPlante, California State Employees' Association, Retirees, spoke on this item.

AGENDA ITEM 13 – PUBLIC COMMENT

Harvey Robinson, Retired Public Employees' Association, spoke on the recent premium increases for the CalPERS Long-Term Care Program.

The meeting was adjourned at 1:03 p.m.

The next meeting of the Committee is scheduled for May 15, 2007, in Sacramento, California, following adjournment of the Benefits and Program Administration Committee.

FRED BUENROSTRO	
Chief Executive Officer	